

**Consolidated Financial Results for the Year Ended March 31, 2023
(IFRS)**

April 26, 2023

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)

Stock exchange: Tokyo (Prime Market) Code number: 6305

URL <https://www.hitachim.com/global/en/>

Representative: Masafumi Senzaki, President and Executive Officer, COO

Scheduled date of ordinary General Meeting of Shareholders: June 26, 2023

Scheduled date of commencement of payment of dividends: May 31, 2023

Scheduled date for submission of Securities Report: June 27, 2023

Supplementary materials to the financial statements have been prepared: Yes

Presentation will be held to explain the financial statements: Yes (for institutional investors, analysts and journalists)

(Rounded off to the nearest million)

1. Consolidated results for the year ended March 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated results

(%: Changes from the same period of the previous fiscal year)

	Revenue		Adjusted Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	1,279,468	24.8	135,701	45.1	112,661	1.6	75,722	(5.2)	70,175	(7.5)
March 31, 2022	1,024,961	26.0	93,518	185.9	110,869	333.5	79,864	446.0	75,826	633.3

Notes: "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

	Net income attributable to owners of the Parent per share (basic)	Net income attributable to owners of the Parent per share (diluted)	Profit on equity attributable to owners of the parent	Ratio of income before income taxes	Operating income to Revenue
	Yen	Yen	%	%	%
March 31, 2023	330.00	330.00	11.0	7.4	10.4
March 31, 2022	356.57	356.57	13.5	8.4	10.4

References: Share of profits (losses) of investments accounted for using the equity method; March 31, 2023: ¥(5,537)million, March 31, 2022: ¥6,224million

"Net income attributable to owners of parent per share (basic)" and "Net income attributable to owners of parent per share (diluted)" are calculated based on "Net income attributable to owners of parent".

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity attributable to owners of the parent ratio	Equity per share attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2023	1,627,003	701,040	659,992	40.6	3,103.66
March 31, 2022	1,409,560	667,931	611,608	43.4	2,876.11

(3) Consolidated cash flows

	Net cash from operating activities	Net cash from investing activities	Net cash from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	(26,135)	(42,647)	87,089	111,992
March 31, 2022	39,317	(6,854)	(25,615)	94,257

2. Dividends status

	Cash dividends per share					Dividends paid (Total)	Dividend Payout Ratio (Consolidated)	Dividend attributable to owners of the parent (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2022	—	45.00	—	65.00	110.00	23,392	30.9	4.2
March 31, 2023	—	50.00	—	60.00	110.00	23,391	33.3	3.7
March 31, 2024 (Projection)	—	—	—	—	—	—	—	—

Interim and year-end dividends for the fiscal year ending March 2024 are to be determined.

(English translation of "KESSAN TANSHIN" originally issued in the Japanese language.)

3. Consolidated earnings forecast for the full year ending March 2024 (April 1, 2023 to March 31, 2024)

	Revenue		Adjusted Operating income		Income before income taxes		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2024	1,300,000	1.6	140,000	3.2	131,000	16.3	82,000	16.9	385.61

Notes: The percentages indicated show changes from the same period of the previous fiscal year.

*Notes

(1) Important changes in the scope of the consolidation during period (changes involving specific subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates

[1] Changes in accounting policies required by IFRS	None
[2] Changes in accounting policies other than those in [1]	None
[3] Changes in accounting estimates	None

(3) Number of outstanding shares (common shares)

[1] Number of outstanding shares (including treasury shares)

March 2023 215,115,038

March 2022 215,115,038

[2] Number of treasury shares

March 2023 2,465,562

March 2022 2,464,315

[3] Average number of common shares outstanding during the fiscal year (shares)

March 2023 212,650,036

March 2022 212,651,357

(Reference) Non-consolidated Financial Results

1. Non-consolidated results for the year ended March 2023(April 1, 2022 to March 31, 2023)

(1) Non-consolidated results

(%: Changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	726,894	31.7	29,942	68.7	57,595	9.2	48,904	(27.6)
March 31, 2022	551,859	40.5	17,744	—	52,733	489.1	67,589	456.7

Notes: The percentages indicated show changes from the same period of the previous fiscal year.

	Net income per share	Net income per share (Diluted)
	Yen	Yen
March 31, 2023	229.97	229.97
March 31, 2022	317.84	317.84

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	883,465	382,237	43.3	1,797.50
March 31, 2022	715,436	356,424	49.8	1,676.09

(Reference) Total equity at fiscal year-end March 2023: ¥382,237 million March 2022: ¥356,424 million

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure.

Explanation on the appropriate use of results forecasts and other important items

Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially. Please refer to “1. Management Performance and Financial Conditions, (2) Outlook for the Fiscal Year Ending March 2024” of the attachment for conditions serving as assumptions for results forecasts.

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1. Management Performance and Financial Conditions

(1) Management Results

In the three-year medium-term management plan entitled " Realizing Tomorrow's Opportunities 2022 ", which ended in FY2022, the Consolidated Group is currently working to achieve sustainable growth and improve enterprise value through four management strategies:①Strengthen value chain business; ②Provide enhanced solutions at every contact with customers; ③Form highly flexible corporate structure; and a new one ④Realize strategies throughout North, Central and South America.

During the fiscal year under review (April 1, 2022 to March 31, 2023), demand for hydraulic excavators remained at the high level of the previous fiscal year in major regions other than China. Demand remained firm, especially in developed countries. Demand for mining machinery remained firm throughout the global market, excluding Russia, due to continued strong appetite for customers' investment against a backdrop of high resource prices and continued demand for overhaul and regular maintenance associated with high utilization. Under these circumstances, new machinery sales of both construction and mining and parts and services in the Americas, where we began full-scale independent business from March 2022, significantly increased year on year. The efforts we have been focusing on have paid off, and the mining business and value chain business have achieved record-high revenues. These results, combined with the impact of foreign exchange rates and other factors, resulted in a significant increase in overall revenue to a record ¥1,279,468 million (an increase of 24.8% year on year).

As for consolidated income items, adjusted operating income was a record high of ¥135,701 million (an increase of 45.1% year on year), due to promoting the increase in selling prices of products and parts in major regions globally, as well as the increase in revenue and the impact of foreign exchange rates and other factors, despite the impact of cost increases, mainly in steel prices and logistics costs.

Net income attributable to owners of the parent was ¥70,175 million (an decrease of 7.5% year on year), affected by one-time loss associated with revisions to realize a sustainable pension plan, impairment losses on investments accounted for using the equity method, and the absence of a gain on transfer of shares in an equity-method affiliate associated with the dissolution of a joint venture with Deere & Company that occurred in the 4Q of the previous fiscal year.

Business results by segment are described below.

① Construction machinery business

During the fiscal year under review (April 1, 2022 to March 31, 2023), revenue was ¥1,154,136 million (an increase of 23.6% year on year) and adjusted operating income was ¥123,954 million (an increase of 44.2% year on year).

The business impact of procurement and logistics delays that occurred in the 1Q of the current fiscal year improved significantly from the 2Q. The Americas business, which began full-scale independent development, also performed better than expected. Supported by strong orders in various regions, both new machinery sales for construction and mining and the value chain business, centered on parts and services, performed well significantly growing year on year.

② Solution business

This segment consists primarily of Bradken Pty Limited and its subsidiaries, which are engaged in the parts and services business in the after-sales of mining facilities and

machinery, and H-E Parts International LLC and its subsidiaries, which provide service solutions.

During the fiscal year under review (April 1, 2022 to March 31, 2023), revenue was ¥131,164 million (an increase of 38.3% year on year) due to the strong performance of the mining market environment. Adjusted operating income was ¥11,747 million (an increase of 55.0% year on year) mainly due to an increase in revenue and the impact of foreign exchange rates.

Notes:

The business segment "Solution Business" will be renamed "Specialized Parts & Service Business" from the fiscal year ending March 31, 2024. The change to this reportable segment name does not have an effect on the segment information.

The above revenues of segments ① and ② are figures before intersegment adjustments.

The following table summarizes consolidated net revenue by geographic area:

	FY2022 (April 1, 2022- March 31, 2023)		FY2021 (April 1, 2021- March 31, 2022)		Increase (Decrease)	
	Revenue (A)	Proportion (%)	Revenue (B)	Proportion (%)	(A)-(B)	(A)/(B)-1 (%)
North America	274,144	21.4	196,427	19.2	77,717	39.6
Central and South America	38,332	3.0	22,729	2.2	15,603	68.6
The Americas	312,476	24.4	219,156	21.4	93,320	42.6
Europe	164,898	12.9	124,180	12.1	40,718	32.8
Russia-CIS	37,383	2.9	38,621	3.8	(1,238)	(3.2)
Africa	54,666	4.3	43,482	4.2	11,184	25.7
Middle East	24,953	2.0	19,196	1.9	5,757	30.0
Russia-CIS, Africa, and the Middle East	117,002	9.1	101,299	9.9	15,703	15.5
Asia	122,657	9.6	86,439	8.4	36,218	41.9
India	73,089	5.7	57,184	5.6	15,905	27.8
Oceania	225,355	17.6	167,687	16.4	57,668	34.4
Asia and Oceania	421,101	32.9	311,310	30.4	109,791	35.3
China	40,005	3.1	52,092	5.1	(12,087)	(23.2)
Sub-total	1,055,482	82.5	808,037	78.8	247,445	30.6
Japan	223,986	17.5	216,924	21.2	7,062	3.3
Total	1,279,468	100.0	1,024,961	100.0	254,507	24.8

(Rounded off to the nearest million)

(2) Outlook for the Fiscal Year Ending March 2024

The company newly formulated the three-year medium-term management plan entitled "BUILDING THE FUTURE 2025", which ends in the fiscal year ending March 31, 2026. We will continue to strive for sustainable growth and improvement of enterprise value under four management strategies: ①Delivering innovative solutions for customer needs; ②Enhancing value chain business; ③Expanding business in the Americas; and ④Strengthening human capital and corporate capabilities.

Regarding demand for hydraulic excavators in the fiscal year ending March 31, 2024, market conditions are expected to remain sluggish in China and Russia, and there are signs of economic slowdown in Europe as well. On the other hand, demand is expected to be at the same level as the previous fiscal year in major regions other than Europe, including North America, where the effects of infrastructure investment by the US government are expected. As a result of taking these factors into account, we estimate that global demand for hydraulic excavators will be approximately 227 thousand units (a decrease of 5% year on year).

Demand for mining machinery is expected to decline for small mining excavators as the price of thermal coal stabilizes and the willingness to invest in small and medium-sized mines is expected to decline. However, the market for ultra-large mining machinery, which is the core of our business, is expected to remain at the high level of the previous fiscal year. This is because overall global demand is expected to remain firm against a backdrop of continued demand for alternative energy resources from Russia in many parts of the world, and resource prices remaining at high levels due to increased infrastructure investment aimed at stimulating the economy after COVID-19.

As described above, although we anticipate a decrease in demand for some regions and products in the market environment, overall, we expect to maintain the same high level as the previous fiscal year. In addition to these market trends, we expect growth over the previous fiscal year in the mining business and value chain business, mainly in the Americas, which is a focus area. In terms of income, we will continue various cost reduction activities and to pass on the costs to sales prices globally to further improve profitability although steel prices and logistics costs are expected to remain high, and energy costs are expected to rise even further.

As a result of these forecasts, at this point in time, we aim to increase both revenue and income in the consolidated earnings forecast for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024), surpassing the record highs of the fiscal year under review. These forecasts are based on the following exchange rates: ¥130 to the US dollar, ¥130 to the euro, ¥18.1 to the Chinese yuan, and ¥84 to the Australian dollar.

We will continue to work earnestly to realize our corporate vision of "Ensure a prosperous land and society for the future. We contribute toward realizing a safe and sustainable society." through the realization of our newly formulated mission of "Meet expectations from customers, co-create innovative products, services, solutions and together, we continue to create new values."

Consolidated Earnings Forecast for the Full Year Ending March 31, 2024

	Revenue	Adjusted operating income	Operating income	Income before income taxes	Net income attributable to owners of the parent	Net income attributable to owners of the parent per share (basic)
Forecast	Millions of yen 1,300,000	Millions of yen 140,000	Millions of yen 136,000	Millions of yen 131,000	Millions of yen 82,000	Yen 385.61
Change	20,532	4,299	2,690	18,339	11,825	—
Change (%)	1.6	3.2	2.0	16.3	16.9	—
(Reference) FY2022	1,279,468	135,701	133,310	112,661	70,175	330.00

(Rounded off to the nearest million)

Notes:

Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors may cause actual results to differ materially.

(3) Analysis of Financial Condition

[1] Status of Assets, Liabilities, and Equity

(a) Assets

Current assets amounted to ¥ 908,905 million, an increase of 18.9%, or ¥ 144,550 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 82,515 million in inventory and ¥ 39,648 million in trade receivables.

Non-current assets amounted to ¥ 718,098 million, an increase of 11.3%, or ¥ 72,893 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 52,941 million in other financial assets and ¥ 32,913 million in property, plant and equipment.

As a result, total assets increased by 15.4%, or ¥ 217,443 million, from the previous fiscal year-end to ¥ 1,627,003 million.

(b) Liabilities

Current liabilities amounted to ¥ 614,870 million, an increase of 35.0%, or ¥ 159,565 million, from the previous fiscal year-end.

This was mainly due to an increase of ¥ 136,607 million in bonds and borrowings and 21,193 million in trade and other payables.

Non-current liabilities amounted to ¥ 311,093 million, an increase of 8.7%, or ¥ 24,769 million, from the previous fiscal year-end. This was mainly due to an increase of ¥ 17,753 million in bonds and borrowings.

As a result, total liabilities increased by 24.9%, or ¥ 184,334 million, from the previous fiscal year-end to ¥ 925,963 million.

(c) Equity

Total equity increased by 5.0%, or ¥ 33,109 million, from the previous fiscal year-end to ¥ 701,040 million. This was mainly due to an accumulation of retained earnings.

[2] Analysis of the Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the fiscal year totaled ¥ 111,992 million, an increase of ¥ 17,735 million from the beginning of the fiscal year. Statement and factors relating to each cash flow category are as follows:

(Net cash provided by operating activities)

Net cash provided by operating activities for the fiscal year based on ¥ 75,722 million in net income, and included ¥ 55,022 million in depreciation, an ¥ 15,477 million increase in trade payables, while an ¥ 31,391 million increase in trade receivables and contract assets, an ¥ 75,384 million increase in inventories, a ¥ 53,479 million payments for performance of guarantee obligation and a ¥ 37,236 million income tax paid as cash outflow.

As a result, net cash provided by operating activities for the fiscal year totaled to an outflow of ¥ 26,135 million, a decrease inflow of ¥ 65,452 million year on year.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities for the fiscal year amounted to ¥ 42,647 million, an increase of ¥ 35,793 million year on year. This was mainly due to an outlay of ¥ 52,839 million for capital expenditures and ¥ 6,301 million for acquisition of intangible assets.

As a result, free cash flows, the sum of net cash provided by operating activities and net cash used in investing activities, amounted to an outflow of ¥ 68,782 million.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities for the fiscal year amounted to ¥ 87,089 million. This was mainly due to a ¥135,589 million increase in short-term debt, which was partly offset by ¥33,766 million in dividends paid (including dividends paid to noncontrolling interests) and ¥19,022 million in payments for acquisition of shares of subsidiaries from non-controlling interests.

As a result, cash for financing activities for the fiscal year produced an increased inflow of ¥ 112,704 million year on year.

(Reference) The following table describes cash flow indicator indices:

	March 2023	March 2022	March 2021
Equity attributable to owners of the parent ratio (%)	40.6	43.4	42.1
Equity attributable to owners of the parent ratio on a market price basis (%)	40.2	48.2	61.8
Interest-bearing debt to operating cash flow ratio (%)	-19.4	9.0	3.6
Interest coverage ratio (times)	-3.0	8.3	17.3

Notes:

Equity attributable to owners of the parent ratio: Equity attributable to owners of the parent/total assets

Equity attributable to owners of the parent ratio on a market price basis: Share market price/total assets

Interest-bearing debt to operating cash flow ratio: Interest-bearing debt/cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/interest paid

1. Indices are calculated using consolidated figures.
2. The share market price is calculated by multiplying the closing price at the end of the period by the number of outstanding shares at the end of the period (after excluding treasury stock).
3. Cash flows from operating activities reflect cash flows from operating activities as detailed in the Consolidated Statements of Cash Flows. Interest-bearing debt reflects all debt for which the Company is paying interest as detailed in the Consolidated Balance Sheets. Interest payments reflect interest paid as detailed in the Consolidated Statements of Cash Flows.

(4) Dividend Policy

The Company will work to bolster its internal reserves while considering maintenance and strengthening of its financial structure and implementation plans for upfront investments, including investments for technology development and facilities based on medium- and long-term business strategies. At the same time, the Company will, in principle, pay dividends of surplus linked to its consolidated business results twice a year as interim and year-end dividends and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

With the aim of enabling the execution of a flexible capital policy, the Company will acquire treasury stock in consideration of necessity, financial conditions, and stock price movement, etc.

2. Our Fundamental Position Concerning Selection of Accounting Standards Policy

The Company has been actively promoting global business development and aims to further increase its enterprise value by building a management foundation that can accelerate management visualization and management enhancement as well as governance reinforcement. As part of these efforts and for the purpose of improving the international comparability of financial statements in the capital markets by introducing IFRS, which is a global standard, and unifying the accounting methods within the Group, the Company voluntarily adopts the International Financial Reporting Standards (IFRS) from the presentation of the consolidated financial statements in its annual securities report for the fiscal year ended March 31, 2015.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Current fiscal year As of Mar. 31, 2023 (A)	Previous fiscal year-end As of Mar. 31, 2022 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	111,992	94,257	17,735
Trade receivables	301,096	261,448	39,648
Contract assets	4,221	4,816	(595)
Inventories	450,782	368,267	82,515
Income tax receivables	974	1,884	(910)
Other financial assets	29,863	25,262	4,601
Other current assets	9,977	8,421	1,556
Total current assets	908,905	764,355	144,550
Non-current assets			
Property, plant and equipment	417,077	384,164	32,913
Right-of-use-asset	65,305	58,740	6,565
Intangible assets	39,704	42,008	(2,304)
Goodwill	40,421	39,071	1,350
Investments accounted for using the equity method	16,508	26,972	(10,464)
Trade receivables	39,253	42,747	(3,494)
Deferred tax assets	21,349	16,099	5,250
Other financial assets	73,391	20,450	52,941
Other non-current assets	5,090	14,954	(9,864)
Total non-current assets	718,098	645,205	72,893
Total assets	1,627,003	1,409,560	217,443
Liabilities			
Current liabilities			
Trade and other payables	244,034	222,841	21,193
Lease liabilities	11,649	10,714	935
Contract liabilities	13,320	11,527	1,793
Bonds and borrowings	310,944	174,337	136,607
Income taxes payable	19,215	15,059	4,156
Other financial liabilities	12,883	18,810	(5,927)
Other current liabilities	2,825	2,017	808
Total current liabilities	614,870	455,305	159,565
Non-current liabilities			
Trade and other payables	7,562	8,495	(933)
Lease liabilities	60,149	50,717	9,432
Contract liabilities	9,611	9,353	258
Bonds and borrowings	196,523	178,770	17,753
Retirement and severance benefit	20,715	17,622	3,093
Deferred tax liabilities	6,882	8,865	(1,983)
Other financial liabilities	5,649	4,986	663
Other non-current liabilities	4,002	7,516	(3,514)
Total non-current liabilities	311,093	286,324	24,769
Total liabilities	925,963	741,629	184,334
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	75,724	78,397	(2,673)
Retained earnings	463,174	414,541	48,633
Accumulated other comprehensive income	42,611	40,183	2,428
Treasury stock, at cost	(3,094)	(3,090)	(4)
Total Equity attribute to owners of the parent	659,992	611,608	48,384
Non-controlling interests	41,048	56,323	(15,275)
Total equity	701,040	667,931	33,109
Total liabilities and equity	1,627,003	1,409,560	217,443

(2) Consolidated Statements of Income

Consolidated Statements of Income

(Millions of yen)

	Current fiscal year For the year ended Mar. 31, 2023 (A)	Previous fiscal year For the year ended Mar. 31, 2022 (B)	(A)/(B)×100 (%)
Revenue	1,279,468	1,024,961	125
Cost of sales	(901,520)	(744,973)	121
Gross profit	377,948	279,988	135
Selling, general and administrative expenses	(242,247)	(186,470)	130
Adjusted operating income	135,701	93,518	145
Other income	16,482	17,212	96
Other expenses	(18,873)	(4,140)	456
Operating income	133,310	106,590	125
Financial income	4,999	4,459	112
Financial expenses	(20,111)	(6,404)	314
Share of profits of investments accounted for using the equity method	(5,537)	6,224	-
Income before income taxes	112,661	110,869	102
Income taxes	(36,939)	(31,005)	119
Net income	75,722	79,864	95
Net income attributable to			
Owners of the parent	70,175	75,826	93
Non-controlling interests	5,547	4,038	137
Total net income	75,722	79,864	95
EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	330.00	356.57	93
Net income per share (Diluted) (yen)	330.00	356.57	93

(Rounded off to the nearest million)

(3) Consolidated Statements of Comprehensive Income

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Current fiscal year For the year ended Mar. 31, 2023 (A)	Previous fiscal year For the year ended Mar. 31, 2022 (B)	(A)/(B)×100 (%)
Net income	75,722	79,864	95
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	145	(142)	-
Other comprehensive income of equity method associates	5	2	250
Items that can be reclassified into net income			
Foreign currency translation adjustments	6,413	39,724	16
Cash flow hedges	172	7	2,457
Other comprehensive income of equity method associates	750	1,102	68
Other comprehensive income, net of taxes	6,242	42,309	15
Comprehensive income	81,964	122,173	67
Comprehensive income attributable to			
Owners of the parent	75,515	111,929	67
Non-controlling interests	6,449	10,244	63

(Rounded off to the nearest million)

(4) Consolidated Statements of Changes in Equity

Year ended March 31, 2023

(Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	78,397	414,541	3,243	7,188	(348)
Net income			70,175			
Other comprehensive income				(1,151)	148	142
Comprehensive income	-	-	70,175	(1,151)	148	142
Acquisition of treasury stock						
Disposal of treasury Stock						
Dividends to stockholders of the Company			(24,454)			
Additional purchase of shares of consolidated		(3,553)				
Transfer to retained earnings			2,912	(2,758)	(154)	
Change in liabilities for written put options over non-controlling interests		880				
Transaction with owners	-	(2,673)	(21,542)	(2,758)	(154)	-
Balance at end of period	81,577	75,724	463,174	(666)	7,182	(206)

(Millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total	Total		
	Foreign currency translation adjustments	Total					
Balance at beginning of period	30,100	40,183	(3,090)	611,608	56,323	667,931	
Net income				70,175	5,547	75,722	
Other comprehensive income	6,201	5,340		5,340	902	6,242	
Comprehensive income	6,201	5,340	-	75,515	6,449	81,964	
Acquisition of treasury stock			(4)	(4)		(4)	
Disposal of treasury Stock							
Dividends to stockholders of the Company				(24,454)	(5,627)	(30,081)	
Additional purchase of shares of consolidated				(3,553)	(15,469)	(19,022)	
Transfer to retained earnings		(2,912)					
Change in liabilities for written put options over non-controlling interests				880	(628)	252	
Transaction with owners	-	(2,912)	(4)	(27,131)	(21,724)	(48,855)	
Balance at end of period	36,301	42,611	(3,094)	659,992	41,048	701,040	

Year ended March 31, 2022

(Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	80,620	350,229	1,669	7,510	(355)
Net income			75,826			
Other comprehensive income				1,574	(140)	7
Comprehensive income	-	-	75,826	1,574	(140)	7
Acquisition of treasury stock						
Disposal of treasury Stock		0				
Dividends to stockholders of the Company			(11,696)			
Transfer to retained earnings			182		(182)	
Change in liabilities for written put options over non-controlling interests		(2,223)				
Transaction with owners	-	(2,223)	(11,514)	-	(182)	-
Balance at end of period	81,577	78,397	414,541	3,243	7,188	(348)

(Millions of yen)

	Equity attributable to owners of the parent					
	Accumulated other comprehensive income		Treasury stock, at cost	Total	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Total				
Balance at beginning of period	(4,562)	4,262	(3,086)	513,602	54,954	568,556
Net income		-		75,826	4,038	79,864
Other comprehensive income	34,662	36,103		36,103	6,206	42,309
Comprehensive income	34,662	36,103	-	111,929	10,244	122,173
Acquisition of treasury stock		-	(4)	(4)		(4)
Disposal of treasury Stock		0	0	0		0
Dividends to stockholders of the Company		-		(11,696)	(8,826)	(20,522)
Transfer to retained earnings		(182)		-		-
Change in liabilities for written put options over non-controlling interests		-		(2,223)	(49)	(2,272)
Transaction with owners	-	(182)	(4)	(13,923)	(8,875)	(22,798)
Balance at end of period	30,100	40,183	(3,090)	611,608	56,323	667,931

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Current fiscal year For the year ended Mar. 31, 2023 (A)	Previous fiscal year For the year ended Mar. 31, 2022 (B)
Net income	75,722	79,864
Depreciation	55,022	48,164
Amortization of intangible asset	7,864	7,316
Impairment losses	1,912	196
Gains or loss on business restructuring	12,267	(8,755)
Income tax expense	36,939	31,005
Equity in net earnings of associates	5,537	(6,224)
(Gain) loss on sales of property, plant and equipment	(11,191)	(4,597)
Financial income	(4,999)	(4,459)
Financial expense	20,111	6,404
(Increase) decrease in trade receivables and contract assets	(31,391)	(50,316)
(Increase) decrease in lease receivables	11,514	18,745
(Increase) decrease in inventories	(75,384)	(48,167)
Increase (decrease) in trade payables	15,477	15,092
Increase (decrease) in retirement and severance benefit	2,761	(498)
Other	(52,670)	(24,130)
Subtotal	69,491	59,640
Interest received	2,799	1,769
Dividends received	1,148	1,479
Interest paid	(8,858)	(4,729)
Income tax paid	(37,236)	(18,842)
Payments for performance of guarantee obligation	(53,479)	-
Net cash provided by (used in) operating activities	(26,135)	39,317
Capital expenditures	(52,839)	(27,924)
Proceeds from sale of property, plant and equipment	11,939	8,923
Acquisition of intangible assets	(6,301)	(6,616)
Acquisition of investments in securities and other financial assets(including investments in associates)	(3,507)	(2,642)
Sales of investments in securities and other financial assets	7,697	22,592
(Increase) decrease in short-term loan receivables, net	(10)	187
Collection of long-term loan receivables	26	66
Payments for acquisition of businesses	-	(1,030)
Other	348	(410)
Net cash provided by (used in) investing activities	(42,647)	(6,854)
Increase (decrease) in short-term debt, net	135,589	21,314
Proceeds from long-term debt and bond	55,809	36,487
Payments on long-term debt	(39,772)	(50,160)
Payments on lease payables	(11,745)	(12,699)
Dividends paid to owners of the parent	(24,450)	(11,695)
Dividends paid to non-controlling interests	(9,316)	(8,857)
Payments for acquisition of shares of subsidiaries from non-controlling interests	(19,022)	-
Other	(4)	(5)
Net cash provided by (used in) financing activities	87,089	(25,615)
Effect of exchange rate changes on cash and cash equivalents	(572)	7,079
Net increase (decrease) in cash and cash equivalents	17,735	13,927
Increase (decrease) in cash and cash equivalents associated with transfer to assets held for sale	94,257	80,330
Cash and cash equivalents at end of period	111,992	94,257

(6) Notes on Consolidated Financial Statements

(Notes on the Preconditions for a Going Concern)

There are no relevant items.

(Changes to accounting policies)

There are no relevant items.

(Revision of the post-termination benefit system)

On March 1, 2023, the Companies and some of domestic subsidiaries of the Company introduced a risk-sharing corporate pension plan for the pension plan of the Hitachi Construction Machinery Pension Fund.

In addition to the amount equivalent to the premium, the amount equivalent to the risk response premium is predetermined in the regulations. In each fiscal year, the amount of benefits increases or decreases in accordance with the financial status of the risk-shared enterprise annuity, thereby achieving a financial balance of the annuity.

In the accounting for post-termination benefits, among risk-shared enterprise annuities, the company's commitment to contributing is limited to the premiums set forth in the regulations, and the company is classified as having a defined contribution plan in addition to the corresponding premiums, if the company is not actually obliged to contribute additional premiums.

The risk-sharing corporate pension plan introduced this time is not effectively obligated to make additional contributions and is classified as a defined contribution plan. Accordingly, in the current fiscal year, the difference between the retirement benefit obligation related to the portion transferred to the plan and the amount of assets transferred to the plan related to the portion reduced by ¥10,629 million was recorded in other operating expenses in the Consolidated Statements of Income and Comprehensive Income as a loss on settlement associated with the plan transition, and other non-current assets in the statement of financial position decreased by ¥10,629 million.

(Important matters for compiling consolidated financial statements)

1. Scope of consolidation

Numbers of consolidated subsidiaries: 79

(1) Main consolidated subsidiaries

- 1) Hitachi Construction Machinery Japan Co., Ltd.
- 2) Hitachi Construction Machinery Tierra Co., Ltd.
- 3) Hitachi Construction Machinery Camino Co., Ltd.
- 4) Hitachi Construction Machinery (China) Co., Ltd.
- 5) Hitachi Construction Machinery Distribution (China) Co., Ltd.
- 6) Tata Hitachi Construction Machinery Company Private Limited.
- 7) Hitachi Construction Machinery Asia and Pacific Pte. Ltd.
- 8) P.T. Hitachi Construction Machinery Indonesia
- 9) Hitachi Construction Machinery (Europe) N.V.
- 10) Hitachi Construction Machinery Americas Inc.
- 11) Hitachi Construction Truck Manufacturing Ltd.
- 12) H-E Parts International LLC
- 13) Bradken Pty Limited

(2) Number of companies included in consolidation during the fiscal year ended March 31, 2023: 2

1) Increase by newly established: 1

Hitachi Construction Machinery Distribution (China) Co., Ltd.

2) Increase by Merger: 1

(3) Number of companies excluded from consolidation during the fiscal year ended March 31, 2023: 3

1) Decrease by liquidation: 3

2. Application of the equity method

Numbers of affiliates accounted for by the equity method: 23

(1) Main affiliates subject to the equity method

- 1) P.T. Hexa Finance Indonesia
- 2) HTC Leasing Company Limited

(2) Number of companies including equity-method affiliates during the fiscal year ended March 31, 2023: 2

- 1) Increase by newly established: 1
- 1) Increase by Merger: 1

(3) Number of companies excluded from equity-method affiliates during the fiscal year ended March 31, 2023: 1

- 1) Decrease by sales of shares: 1
Sumitomo Heavy Industries Construction Crane Co., Ltd.

(4) Number of affiliates not accounted for by the equity method: 3

3. Date of settlement of accounts for consolidated subsidiaries

Below is a list of the consolidation subsidiaries that settle their accounts on a date different from the rest of the consolidated group.

- 1) Hitachi Construction Machinery (China) Co., Ltd.
 - 2) Hitachi Construction Machinery Distribution (China) Co., Ltd.
- Others: 22

To create the consolidated financial statement, which is made by provisional account settlement as of March 31 2023, the company uses the financial statements of these subsidiaries.

(Segment Information)

1. Reportable segment information

1) Overview of business segments

The operating segments of the Group are the components for which separate financial information is available and that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The reportable segments are determined based on the operating segment.

Taking into consideration the nature of products and services as well as categories, types of customers, and economic characteristics in a comprehensive manner, the company determines to classify two reportable segments as follows: The Construction Machinery Business Segment primarily intends to provide customers with a series of total life cycle solutions related to construction machinery such as the manufacture and sale of hydraulic excavators, ultra-large hydraulic excavators, and wheeled loaders, as well as the sale of parts related to these products. The Solution Business Segment primarily intends to provide services, production, and distribution parts that are not included in the Construction Machinery Business Segment.

2) Revenue, profit or loss, and other items of business segments

For the year ended March 31, 2023

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	1,154,103	125,365	1,279,468	-	1,279,468
Intersegment transactions	33	5,799	5,832	(5,832)	-
Total revenues	1,154,136	131,164	1,285,300	(5,832)	1,279,468
Adjusted operating income	123,954	11,747	135,701	-	135,701
Operating income	122,959	10,351	133,310	-	133,310
Financial income	-	-	-	4,999	4,999
Financial expenses	-	-	-	(20,111)	(20,111)
Share of profits (losses) of investments accounted for using the equity method	(5,537)	-	(5,537)	-	(5,537)
Income before income taxes	117,422	10,351	127,773	(15,112)	112,661
Segment assets	1,451,119	177,495	1,628,614	(1,611)	1,627,003
Segment liabilities	843,900	83,674	927,574	(1,611)	925,963
Other items:					
Depreciation and amortization	(56,435)	(6,451)	(62,886)	-	(62,886)
Impairment losses	(494)	(1,418)	(1,912)	-	(1,912)
Business structure reform expenses	(12,458)	(137)	(12,595)	-	(12,595)
Investments accounted for using the equity method	16,508	-	16,508	-	16,508

Note (*1): Adjustments represent eliminations of intersegment transactions and amounts of companies that do not belong to any operating segment.

Note (*2): Intersegment transactions are recorded at the same prices used in arm's length transactions.

For the year ended March 31, 2022

(Millions of yen)

	Reportable segment			Adjustments (*1,2)	Total
	Construction Machinery Business	Solution Business	Total		
Revenue					
External customers	933,857	91,104	1,024,961	-	1,024,961
Intersegment transactions	7	3,718	3,725	(3,725)	-
Total revenues	933,864	94,822	1,028,686	(3,725)	1,024,961
Adjusted operating income	85,941	7,577	93,518	-	93,518
Operating income	98,660	7,930	106,590	-	106,590
Financial income	-	-	-	4,459	4,459
Financial expenses	-	-	-	(6,404)	(6,404)
Share of profits (losses) of investments accounted for using the equity method	6,244	-	6,224	-	6,224
Income before income taxes	104,884	7,930	112,814	(1,945)	110,869
Segment assets	1,241,160	168,494	1,409,654	(94)	1,409,560
Segment liabilities	665,616	76,107	741,723	(94)	741,629
Other items:					
Depreciation and amortization	(50,505)	(4,975)	(55,480)	-	(55,480)
Impairment losses	(156)	(40)	(196)	-	(196)
Business structure reform expenses	(461)	(134)	(595)	-	(595)
Investments accounted for using the equity method	26,972	-	26,972	-	26,972

Note (*1): Adjustments represent eliminations of intersegment transactions and amounts of companies that do not belong to any operating segment.

Note (*2): Intersegment transactions are recorded at the same prices used in arm's length transactions.

2. Information on products and services

The following tables show revenue from outside customers by product and service for the year ended March 31, 2023 and 2022.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2022
Mining machinery	246,613	157,946
Construction machinery and others	1,032,855	867,015
Total	1,279,468	1,024,961

(Note on consolidated statements of income)

The main components of other income for the year ended March 31, 2023 and 2022 are as follows:

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2022
Gain on sales of property, plants, and equipment (*1)	11,471	4,691
Subsidy income	204	232
Gain on business restructuring (*2)	328	8,755
Other	4,479	3,534
Total	16,482	17,212

Note (*1):

Gain on sales of property, plants, and equipment for the year ended March 31, 2022 is mainly recognized for sales of land adjacent to the Hitachinaka Works of the Company.

Gain on sales of property, plants, and equipment for the year ended March 31, 2023 is mainly recognized for sales of land owned by the Company in Sagamihara City, Kanagawa Prefecture.

Note (*2):

Gain on business restructuring for the year ended March 31, 2022 is mainly recognized for sales of the Company's portion of shares of stock in Deere-Hitachi Construction Machinery Corp. and Deere-Hitachi Maquinas de Construcao do Brasil S.A., equity-method affiliates of the Group.

The main components of other expenses for the year ended March 31, 2023 and 2022 are as follows:

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2022
Loss on sales of property, plants, and equipment	280	94
Loss on disposal of property, plants, and equipment	968	1,413
Impairment losses (*1)	1,912	196
Business structure reform expenses (*2)	12,595	595
Other	3,118	1,842
Total	18,873	4,140

Note (*1): Impairment losses

Impairment losses recognized for the year ended March 31, 2023 include an impairment loss of ¥1,323 million (¥523 million for tangible fixed assets and ¥800 million for intangible assets) recognized on the part of assets of the Americas CGU in the Bradken subsidiary belonging to the Solutions Business segment due to a decline in profitability associated with changes in the business environment.

Note (*2): Business structure reform expenses

Business structure improvement expenses recognized for the year ended March 31, 2023 and 2022 include a special severance payment and so forth. In addition, the year ended March 31, 2023 includes a ¥10,629 million settlement loss on the transfer to the risk-sharing plan at the Company and certain of domestic subsidiaries of the Company.

(Note on investments accounted for using the equity method)

For the year ended March 31, 2023, ACME Business Holdco, LLC (hereinafter ACME), an U.S. rental company that is an investee of the subsidiary and an equity-method affiliate of the Company, defaulted on borrowings from financial institutions. The Company, as the guarantor of those obligations, repaid its debt to the financial institutions. The Company performed an impairment test because we have judged there to be a sign of impairment with equity-method investment.

In performing the impairment testing, the Company evaluates the recoverable amount of the equity-method investment in ACME based on its fair value less costs of disposal.

This primarily includes ACME's rental fixed assets and subsidiary shares, which are valued by referring to an evaluation by an external specialist using a market approach. Consequently, ¥7,280 million of impairment loss came to be included in the "Investments accounted for using the equity method" in the consolidated statements of income.

In addition, ¥51,329 million to be claimed for reimbursement to ACME arising from the Company's execution of guaranteed obligations against the lender is included in "Other financial assets (non-current)" in the consolidated financial statements. With respect to the assessment of the credit loss associated with such claims, the recoverability is estimated based on the credit risk of ACME and its affiliates predicted from the strategy for legal disputes against ACME as of the end of the fiscal year. The consolidated group considers these estimates to be significant because changes in this assumption could result in different estimated amounts of probable credit losses on claims.

(Earnings per share)

A calculation of the basic and diluted earnings per share (attributable to owners of the parent) for the years ended March 31, 2023 and 2022 are as follows:

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2022
Net income attributable to owners of the parent	70,175	75,826
Net income attributable to owners of the Parent (diluted)	70,175	75,826

(Number of shares)

	For the year ended March 31, 2023	For the year ended March 31, 2022
Weighted average number of common shares outstanding	212,650,036	212,651,357
Dilutive effect of stock options	-	-
Weighted average number of common shares outstanding - diluted	212,650,036	212,651,357

(Yen)

	For the year ended March 31, 2023	For the year ended March 31, 2022
Net income attributable to owners of the parent per share (basic)	330.00	356.57
Net income attributable to owners of the parent per share (diluted)	330.00	356.57

	For the year ended March 31, 2023	For the year ended March 31, 2022
Summary of dilutive shares not included the calculation of diluted earnings per share (attributed to owners of the parent) due to no dilutive effect	-	-

(Important subsequent events)

There are no relevant items.